

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

ADJUSTMENT OF RATES BY)
EVERGREEN SEWAGE DISPOSAL CO., INC.,) CASE NO. 8047
OF FRANKLIN COUNTY, KENTUCKY)

O R D E R

On December 1, 1980, Evergreen Sewage Disposal Co., Inc., of Franklin County, Kentucky ("Applicant"), filed with the Public Service Commission, formerly the Utility Regulatory Commission, its application seeking authority to increase the rate charged for sewage service rendered by the Applicant.

By order entered January 13, 1981, a public hearing was set for March 10, 1981, in the Commission's offices in Frankfort, Kentucky, to consider the appropriateness of the proposed rate. The hearing was held as scheduled, with all parties of interest having first been duly notified and the Attorney General's Division of Consumer Intervention being the only intervenor of record. The matter is now considered to be fully submitted for final determination by this Commission.

TEST PERIOD

Applicant proposed and the Commission has accepted the twelve-month period ending August 31, 1980, for the purpose of determining the reasonableness of the proposed rate. Pro forma adjustments have been included where found to be just and reasonable.

VALUATION METHODS

The Commission has found that the Applicant's investment records are insufficient in detail to provide the necessary information to determine the net investment or capitalization of the Applicant for rate-making purposes. Therefore, the Commission is of the opinion that the operating ratio method should be utilized in this instance.

The formula used in computing operating ratio is as follows:

$$\text{Operating Ratio} = \frac{\text{Operating Expenses} + \text{Depreciation} + \text{Taxes}}{\text{Gross Revenues}}$$

REVENUES AND EXPENSES

Applicant proposed several pro forma adjustments to its income statement⁽¹⁾ and the Commission is of the opinion that these adjustments are necessary and present a fair and accurate description of the Applicant's current operations. Therefore, Applicant's adjusted utility operations are as follows:

	<u>Actual</u>	<u>Adjustments</u>	<u>Adjusted</u>
Operating Revenue	\$ 3,218	-0-	\$ 3,218
Operating Expenses	<u>\$ 5,150</u>	<u>\$ 490</u>	<u>\$ 5,640</u>
Net Loss	\$(1,932)	\$(490)	\$(2,422)

(1)

Applicant's Exhibit 3, Pages 1 and 2

SUMMARY

The Commission is of the opinion that Applicant's adjusted net loss is clearly unjust and unfair. The Commission is further of the opinion that the requested revenue increase of \$3,300 is necessary in that it will permit the Applicant to pay its operating expenses and will produce operating income after taxes ⁽²⁾ of \$707 which results in a fair, just and reasonable operating ratio of 89.1%.

Therefore, the Commission, after consideration of the evidence of record, and being advised, is of the opinion and finds that the rate proposed by the Applicant and attached hereto as Appendix A is the fair, just and reasonable rate to be charged by the Applicant to its customers for sewage service.

ORDERS IN THIS MATTER

The Commission, on the basis of the findings hereinbefore set out, and the evidence of record in this matter:

HEREBY ORDERS that the rate set out in Appendix A, attached hereto and made a part hereof, is the fair, just and reasonable rate to be charged by the Applicant for sewage service rendered to its customers on and after the date of this order.

IT IS FURTHER ORDERED that Evergreen Sewage Disposal Company, Inc., file within thirty (30) days of this order, its tariff sheets setting forth the rate approved herein and a copy of its rules and regulations for providing sewage service to its customers.

(2)

Income Taxes = \$171

Done at Frankfort, Kentucky, this 5th day of May, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Voh
Chairman

Katharine Randall
Vice Chairman

Don Harigan
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8047 DATED
MAY 5, 1981

The following rates and charges are prescribed for the customers in the area served by Evergreen Sewage Disposal Company, Inc., other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this order.

Rates

Residential*

\$12.50 Monthly

*Applicable to single-family, duplex and apartment dwellings.